

MICHIGAN STATE
UNIVERSITY
EXTENSION

April 25, 2007

TO: Representative Jeff Mayes, Chairman, Agriculture Committee,
Michigan House of Representatives

FROM: Thomas G. Coon, Director
Michigan State University Extension



SUBJECT: Economic Impact of Agriculture in Michigan

I want to thank you for the opportunity to provide an overview of the impact that agriculture has on Michigan's economy and the roles that the MSU College of Agriculture and Natural Resources, the Michigan Agricultural Experiment Station and MSU Extension play in fostering the growth of this critically important economic sector.

I apologize for not having certain answers to Representative Byrum's questions and have taken this opportunity to provide more details from the economic impact study that I briefly described during my testimony today. I have attached a summary of the key findings of the study. In addition, you can find the full report at:

<http://www.productcenter.msu.edu/documents/Working/Economic%20Impact%20of%20Michigan%20Agri-Food%20Final%20010906.pdf>

Rep. Byrum asked about the number of jobs associated with agriculture and related industries. The report documents 1.05 million jobs in this sector, representing 24% of all jobs in Michigan. I misspoke when I said that the report included the impact of forest-based industries. Instead, the report focuses on food and agriculture industries, including turf, landscape and nursery industries.

In addition, more than \$8.6 million has been invested from the private and public sectors in Michigan agriculture over the past 5 years. The report outlines several different scenarios for growth of agriculture in the near future, and projects growth of \$1.6 to \$2.4 million in economic activity per year and growth of 12,000 to 23,000 jobs per year.

Christopher Peterson, William Knudson and Getachew Abate were the authors of this report. It is important to keep in mind that the report was completed more than one year ago, in January, 2006. There has been no downturn in agricultural production over that time period. In fact, to the contrary, the number of ethanol plants in development has grown and the price of key commodity crops, particularly corn has grown dramatically since the report was completed. These developments have attracted more capital from outside Michigan over the past year, further suggesting that the report's projections may have already been exceeded in just 15 months.

Please feel free to contact me if you have further questions. If you would like, I could arrange for Dr. Peterson to be available to address other questions you may have about the future prospects for Michigan's agricultural sector. Thank you for the opportunity to be of service to the committee.

TC:tb



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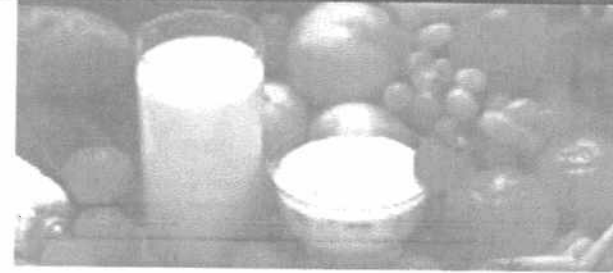
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The Economic Impact and Potential of Michigan's Agri-Food System



Background and Scope

- Many in state government and Michigan's agri-food system were interested in a study that provided a current picture of the size and scope of the agri-food system.
- This study, an update and expansion of a 2000 study, also looked at the potential for future growth and additional employment in the agri-food system.
- The study also analyzed the current and potential impact of the agri-energy sector, including ethanol and biodiesel.
- The study was conducted by the MSU Product Center for Agriculture and Natural Resources, in collaboration with the Michigan Department of Agriculture. Principal investigators were H. Christopher Peterson, William A. Knudson and Getachew Abate.
- The system accounts \$60.1 billion in total annual economic activity and a total of 1.05 million jobs -- approximately 24 percent of those employed in the state.
- The agriculture/food system also accounts for billions of dollars of investment. Over the past 5 years farmers have invested almost \$7 billion in their operations. During the same time period, the Michigan Department of Agriculture identified an additional \$1.6 billion in public and private investment in agriculture processing facilities, for a total of a minimum \$8.6 billion investment in the system. .
- If the current level of investment continues, the size of the agriculture/food system would grow by almost \$1.6 billion and add more than 12,000 jobs per year to the state's economy.
- If the number of new businesses increases by an average of 851 per year, the size of the agriculture/food system could grow by \$2.4 billion and add an additional 23,000 jobs annually to the state's economy.

Key Findings

- Michigan's agriculture/food system is a major contributor to income and jobs in the state.

Other Important Findings

- Farming and related industries account for almost \$6.7 billion of economic activity. Of this amount, livestock accounts for \$2.4 billion, field crops for \$2.5 billion, vegetables for more than \$430 million, fruits for \$383 million and floriculture/ornamentals/turfgrass for almost \$918 million.
- Farming and related industries account for almost 103,000 Michigan jobs.
- Food manufacturing and related industries account for more than \$18 billion in economic activity and more than 116,000 Michigan jobs.
- Of the \$60.1 billion in economic activity generated by the agriculture/food system, products grown and produced in Michigan account for \$37.4 billion; the rest is wholesaling, retailing, transportation and other activities resulting from food products produced outside of the state, nursery/landscape/turfgrass services, and ethanol.
- Of the 1.05 million Michigan jobs generated by the agriculture/food system, products grown and processed in Michigan accounted for almost 523,000 jobs; the rest can be traced to non Michigan-based agriculture/food products, nursery/landscape/turfgrass services and ethanol.
- A typical small scale animal processing operation and related business activity would add more than \$55 million in economic activity and add an estimated 500 jobs.
- A major food processing facility and related business activity would add more than \$30 million in economic activity and 346 jobs.
- There are four ethanol plants at various stages of construction in Michigan. It is estimated that these plants and related business activity will add \$443 million in economic activity and 600 jobs.
- There are also 14 food processing facilities under development. It is estimated that these facilities and related businesses will generate more than \$427 million in economic activity and an additional 4,800 jobs.

For more information:

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